

ARTICLE III REPRESENTATIONS, WARRANTIES AND CERTAIN COVENANTS OF TCG

TCG represents, warrants and/or covenants to and with ACC as follows:

3.1 Organization and Good Standing. TCG, Acquisition Subsidiary and each of the TCG Subsidiaries is a corporation or partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite corporate or partnership power and authority to own, lease and operate its properties and to carry on its business as now being conducted. TCG and each of the TCG Subsidiaries is duly qualified or licensed and in good standing to do business in each jurisdiction in which the character of the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not materially adversely affect the business, assets (including, but not limited to, intangible assets), financial condition, liabilities or the results of operations of TCG and its subsidiaries taken as a whole ("TCG Material Adverse Effect"). TCG has heretofore made available to ACC accurate and complete copies of the Articles of Incorporation and Bylaws, as currently in effect, of TCG. For purposes of this Agreement, the term "TCG Subsidiary" shall mean any "significant subsidiary" (as such term is defined in Rule 1-02 of Regulation S-X of the SEC) of TCG.

3.2 Capitalization. As of the date hereof, the authorized capital stock of TCG consists of 450,000,000 shares of TCG Stock, 300,000,000 shares of Class B Common Stock, par value \$.01 per share ("TCG Class B Common Stock"), and 150,000,000 shares of Preferred Stock ("TCG Preferred Stock"). As of November 14, 1997, 61,222,030 shares of TCG Stock, 113,489,040 shares of TCG Class B Common Stock and no shares of TCG Preferred Stock were issued and outstanding and no other capital stock of TCG was authorized or issued. All issued and outstanding shares of the TCG Stock and TCG Class B Common Stock are duly authorized, validly issued, fully paid and non-assessable and were issued free of preemptive rights and in compliance with applicable securities Laws. Except as set forth in the TCG Securities Filings (as hereinafter defined) or on *Schedule 3.2* attached hereto, or as otherwise contemplated by this Agreement, as of the date hereof there are no outstanding rights, subscriptions, warrants, puts, calls, unsatisfied preemptive rights, options or other agreements of any kind relating to any of the outstanding, authorized but unissued, unauthorized or treasury shares of the capital stock or any other security of TCG, and there is no authorized or outstanding security of any kind convertible into or exchangeable for any such capital stock or other security. Except as disclosed in the TCG Securities Filings, there are no restrictions upon the transfer of or otherwise pertaining to the securities (including, but not limited to, the ability to pay dividends thereon) or retained earnings of TCG and the TCG Subsidiaries or the ownership thereof other than those, if any, described on *Schedule 3.2*, those imposed by this Agreement or those imposed by the Securities Act, the Securities Exchange Act, applicable state securities Laws or applicable corporate Law.

3.3 Authorization; Binding Agreement. TCG and Acquisition Subsidiary have all requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, including, but not limited to, the Merger, have been duly and validly authorized by the respective Boards of Directors of TCG and Acquisition Subsidiary, as appropriate, and by the sole stockholder of Acquisition Subsidiary, and no other corporate proceedings on the part of TCG, Acquisition Subsidiary or any TCG Subsidiary are necessary to authorize the execution and delivery of this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by each of TCG and Acquisition Subsidiary and, assuming due and valid execution and delivery by the other parties hereto, constitutes the legal, valid and binding agreement of TCG and Acquisition Subsidiary, enforceable against each of TCG and Acquisition Subsidiary in accordance with its terms, subject to the Enforceability Exceptions. No vote of the holders of any class of capital stock of TCG is required to approve the execution, delivery and performance of this Agreement by TCG.

3.4 Governmental Approvals. No Consent from or with any Governmental Authority on the part of TCG or any of the TCG Subsidiaries is required in connection with the execution or delivery by TCG of this

Agreement or the consummation by TCG of the transactions contemplated hereby other than (i) the filing of the Certificate of Merger with the Secretary of State of Delaware in accordance with the Delaware Code, (ii) filings with the SEC, state securities laws administrators and the NASD, (iii) Consents from the Federal Communications Commission, state public service or utility commissions (or comparable state Governmental Authorities) or foreign telephone administrations, (iv) filings under the HSR Act, and (v) those Consents that, if they were not obtained or made, do not or would not have a TCG Material Adverse Effect or materially and adversely affect the ability of TCG to perform its obligations set forth herein or to consummate the transactions contemplated hereby.

3.5 No Violations. The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the compliance by TCG with any of the provisions hereof will not (i) conflict with or result in any breach of any provision of the Certificate and/or Articles of Incorporation or Bylaws or other governing instruments of TCG or any of the TCG Subsidiaries, (ii) except as set forth on *Schedule 3.5*, require any consent under or result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration or augment the performance required) under any of the terms, conditions or provisions of any TCG Material Contract (as hereinafter defined), (iii) result in the creation or imposition of any lien or encumbrance of any kind upon any of the assets of TCG or any TCG Subsidiary, or (iv) subject to obtaining the Consents from Governmental Authorities referred to in Section 3.4, above, contravene any Law currently in effect to which TCG or any TCG Subsidiary or its or any of their respective assets or properties are subject, except in the case of clauses (ii), (iii) and (iv), above, for any deviations from the foregoing which do not or would not have a TCG Material Adverse Effect. For purposes hereof, "TCG Material Contract" shall mean any material note, bond, mortgage, indenture, contract, lease, license, agreement, understanding, instrument, bid or proposal that is required to be described in or filed as an exhibit to any TCG Securities Filing.

3.6 Securities Filings and Litigation. TCG has made available to ACC true and complete copies of (i) its Annual Reports on Form 10-K, as amended, for the year ended December 31, 1996, as filed with the SEC, (ii) its proxy statements relating to all of the meetings of stockholders (whether annual or special) of TCG since July 2, 1996, as filed with the SEC, and (iii) all other reports, statements and registration statements and amendments thereto (including, without limitation, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as amended) filed by TCG with the SEC since July 2, 1996. The reports and statements set forth in clauses (i) through (iii), above, and those subsequently provided or required to be provided pursuant to this Section, are referred to collectively as the "TCG Securities Filings"). As of their respective dates, or as of the date of the last amendment thereof, if amended after filing, none of the TCG Securities Filings (including all schedules thereto and disclosure documents incorporated by reference therein), contained or, as to TCG Securities Filings subsequent to the date hereof, will contain any untrue statement of a material fact or omitted or, as to TCG Securities Filings subsequent to the date hereof, will omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Each of the TCG Securities Filings at the time of filing or as of the date of the last amendment thereof, if amended after filing, complied or, as to TCG Securities Filings subsequent to the date hereof, will comply in all material respects with the Securities Exchange Act or the Securities Act, as applicable. There is no Litigation pending or, to the knowledge of TCG, threatened against TCG or any of its subsidiaries, any officer, director, employee or agent thereof, in his or her capacity as such, or as a fiduciary with respect to any TCG Benefit Plan (as hereinafter defined) or otherwise relating to TCG or any of its subsidiaries or the securities of any of them, or any properties or rights of TCG or any of its subsidiaries or any TCG Benefit Plan which is required to be described in any TCG Securities Filing that is not so described. No event has occurred as a consequence of which TCG would be required to file a Current Report on Form 8-K pursuant to the requirements of the Securities Exchange Act as to which such a report has not been timely filed with the SEC. Any reports, statements and registration statements and amendments thereof (including, without limitation, Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as amended) filed by TCG with the SEC after the date hereof shall be provided to ACC on the date of such filing.

3.7 TCG Financial Statements. The audited consolidated financial statements and unaudited interim financial statements of TCG included in the TCG Securities Filings (the "TCG Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis (except as may be indicated therein or in the notes thereto) and present fairly, in all material respects, the financial position of TCG and its subsidiaries as at the dates thereof and the results of their operations and cash flows for the periods then ended subject, in the case of the unaudited interim financial statements, to normal year-end audit adjustments, any other adjustments described therein and the fact that certain information and notes have been condensed or omitted in accordance with the Securities Exchange Act.

3.8 Absence of Certain Changes or Events. Except as set forth in the TCG Securities Filings or in Schedule 3.8, since December 31, 1996, there has not been: (a) any Event that has had or could reasonably be expected to have a TCG Material Adverse Effect, (b) any material change by TCG in its accounting methods, principles or practices, except as required by any change in generally accepted accounting principles, and (c) other than changes after the date hereof (which do not materially and adversely affect the ability of TCG to perform its obligations set forth herein or to consummate the transactions contemplated hereby), any amendments or changes to the Certificate of Incorporation or Bylaws of TCG.

3.9 No Undisclosed Liabilities. Except as forth in Schedule 3.9, neither TCG nor any of its subsidiaries has any liabilities (absolute, accrued, contingent or otherwise), except liabilities (a) in the aggregate adequately provided for in TCG's audited balance sheet (including any related notes thereto) for the fiscal year ended December 31, 1996 included in TCG's 1996 Annual Report on Form 10-K (the "1996 TCG Balance Sheet"), (b) incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected on the 1996 TCG Balance Sheet, (c) incurred since December 31, 1996 in the ordinary course of business consistent with past practice, (d) incurred in connection with this Agreement, (e) which do not constitute a TCG Material Adverse Effect or (f) which do not materially and adversely affect the ability of TCG to perform its obligations set forth herein or to consummate the transactions contemplated hereby.

ARTICLE IV ADDITIONAL COVENANTS OF ACC

ACC covenants and agrees as follows:

4.1 Conduct of Business of ACC and ACC Subsidiaries. Except as expressly contemplated by this Agreement or set forth on Schedule 4.1, during the period from the date of this Agreement to the Effective Time, ACC shall conduct, and it shall cause its subsidiaries to conduct, its or their businesses in the ordinary course and consistent with past practice, subject to the limitations contained in this Agreement, and ACC shall, and it shall cause its subsidiaries to, use its or their commercially reasonable efforts to preserve intact its business organization, to keep available the services of its officers and employees and to maintain satisfactory relationships with all persons with whom it does business. Without limiting the generality of the foregoing, and except as otherwise expressly provided in this Agreement, after the date of this Agreement and prior to the Effective Time, neither ACC nor any of its subsidiaries will, without the prior written consent of TCG:

(i) amend or propose to amend its Certificate or Articles of Incorporation or Bylaws (or comparable governing instruments) in any material respect;

(ii) issue, grant, sell, pledge, dispose of or propose to grant, sell, pledge or dispose of any shares of, or any options, warrants, commitments, subscriptions or rights of any kind to acquire or sell any shares of, the capital stock or other securities of ACC or any of its subsidiaries, including, but not limited to, any securities convertible into or exchangeable for shares of stock of any class of ACC or any of its subsidiaries, or authorize for issuance or propose to issue any of the foregoing except for options, except (A) for the issuance of shares of ACC Class A Common Stock pursuant to the exercise of stock options or stock incentive rights, (B) the conversion of convertible securities outstanding on the date of this Agreement in accordance with their present terms, (C) the issuance of shares of ACC Class A Common Stock in accordance with the terms of acquisitions approved by TCG and (D) the issuance and sale of shares of ACC Class A Common Stock purchased in respect of the calendar quarter ended December 31, 1997 pursuant to the ACC Corp. Employee Stock Purchase Plan;

(iii) split, combine or reclassify any shares of its capital stock or declare, pay or set aside any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock, other than dividends or distributions to ACC or a subsidiary of ACC, or directly or indirectly redeem, purchase or otherwise acquire or offer to acquire any shares of its capital stock or other securities;

(iv) other than in the ordinary course of business consistent with past practice, (a) except in connection with a \$50 million increase in the principal amount of the credit facility pursuant to the Amended and Restated Credit Agreement dated as of January 14, 1997 by and among ACC and certain of its subsidiaries as Borrower, ACC as Guarantor, First Union National Bank of North Carolina as Managing Agent and Administrative Agent, and Fleet National Bank, as Managing Agent and Documentation Agent, as it may have been amended through the date hereof (the "Credit Facility Increase"), create, incur or assume any debt or obligations in respect of capital leases, except refinancings of existing obligations on terms that are no less favorable to ACC or its subsidiaries than the existing terms; (b) except in connection with the Credit Facility Increase, assume, guarantee, endorse or otherwise become liable or responsible (whether directly, indirectly, contingently or otherwise) for the obligations of any person; (c) make any capital expenditures or make any loans, advances or capital contributions to, or investments in, any other person (other than to a subsidiary of ACC and customary travel, relocation or business advances to employees made in the ordinary course of business consistent with past practice), except for capital expenditures not to exceed \$60 million pursuant to ACC's budget for fiscal year 1998, a copy of which has been provided to TCG by ACC prior to the date hereof; (d) acquire the stock or assets of, or merge or consolidate with, any other person other than transactions contemplated by agreements which have been executed and delivered by ACC as of the date hereof; provided that ACC will not amend, modify or waive any provision of any such agreement, or terminate any such agreement, without the prior written consent of TCG; (e) voluntarily incur any material liability or obligation (absolute, accrued, contingent or otherwise); or (f) sell, transfer, mortgage, pledge or otherwise dispose of, or encumber, or agree to sell, transfer, mortgage, pledge or otherwise dispose of or encumber, any assets or properties, real, personal or mixed material to ACC and its subsidiaries taken as a whole, other than to secure debt permitted under sub-clause (a) of this clause (iv);

(v) other than as required by law or pursuant to the terms of agreements in effect on the date of this Agreement and in the ordinary course of business, consistent with past practice (a) increase in any manner the compensation paid to any of its officers in excess of 5% of the compensation of such officers for the prior year, (b) increase in any manner the compensation of any employees, other than officers, other than in the ordinary course, (c) enter into, establish, amend or terminate any employment or consulting agreement for a term of more than one year or for compensation in excess of \$50,000, (d) enter into, establish, amend or terminate any retention, change in control, collective bargaining, bonus, incentive compensation, stock option, stock incentive right, stock purchase, severance, deferred compensation, non-qualified retirement or welfare plan, policy, agreement, trust, fund or arrangement with, for or in respect of, any stockholder, officer, director, other employee, agent, consultant or affiliate, (e) enter into, establish, terminate or materially amend any tax-qualified retirement plan or welfare plan (not including any severance plan) except as may be required by ERISA, or (f) permit the exercise of any stock option, or the payment of any taxes relating to the exercise of such options, by any means other than cash, except to the extent the optionee currently has the unrestricted right to exercise other than for cash pursuant to any Employee Plan or Compensation Arrangement; provided, however, with respect to all of the foregoing matters in this Section 4.1(v), TCG and ACC will consult with each other regarding any request made by ACC pertaining to such matters and TCG shall not unreasonably withhold its consent as to matters requested by ACC; and

(vi) enter into any lease or amend any lease of real property other than in the ordinary course of business consistent with past practice.

Furthermore, ACC covenants that from and after the date of this Agreement, unless TCG shall otherwise expressly consent in writing, ACC shall, and ACC shall cause each of its subsidiaries to, use its or their reasonable efforts to comply in all material respects with all Laws applicable to it or any of its properties, assets or business and maintain in full force and effect all ACC Permits necessary for, or otherwise material to, such business.

4.2 Notification of Certain Matters. ACC shall give prompt notice to TCG if any of the following occur after the date of this Agreement: (i) its receipt of any notice of, or other communication relating to, a default or Event which, with notice or lapse of time or both, would become a material default under any ACC Material Contract; (ii) its receipt of any notice or other communication in writing from any third party alleging that the Consent of such third party is or may be required in connection with the transactions contemplated by this Agreement, provided that such Consent would have been required to have been disclosed in this Agreement; (iii) its receipt of any material notice or other communication from any Governmental Authority (including, but not limited to, the NASD or any securities exchange) in connection with the transactions contemplated by this Agreement; (iv) the occurrence of an Event which could reasonably be expected to have an ACC Material Adverse Effect; (v) the commencement or threat of any Litigation involving or affecting ACC or any of its subsidiaries, or any of their respective properties or assets, or, to its knowledge, any employee, agent, director or officer, in his or her capacity as such, of ACC or any of its subsidiaries which, if pending on the date hereof, would have been required to have been disclosed in this Agreement or which relates to the consummation of the Merger or any material development in connection with any Litigation disclosed by ACC in or pursuant to this Agreement or the ACC Securities Filings; and (vi) the occurrence of any Event that could cause a breach by ACC of any provision of this Agreement, including such a breach that could occur if such Event had taken place on or prior to the date of this Agreement.

4.3 Access and Information. Between the date of this Agreement and the Effective Time, ACC and its subsidiaries will give, and shall direct their accountants and legal counsel to give, TCG, its lenders and their respective authorized representatives (including, without limitation, financial advisors, accountants and legal counsel) at all reasonable times access as reasonably requested to all offices and other facilities and to all contracts, agreements, commitments, books and records (including, but not limited to, Tax Returns) of or pertaining to ACC and its subsidiaries, will permit the foregoing to make such reasonable inspections as they may require and will cause its officers promptly to furnish TCG with (a) such financial and operating data and other information with respect to the business and properties of ACC and its subsidiaries as TCG may from time to time reasonably request, and (b) a copy of each material report, schedule and other document filed or received by ACC or any of its subsidiaries pursuant to the requirements of applicable securities Laws or the NASD. ACC shall, upon request, furnish TCG with all information concerning itself, its subsidiaries, directors, officers and stockholders and such other matters as may be reasonably necessary or advisable in connection with the Prospectus/Proxy Statement or any other statement, filing, notice or application made by or on behalf of TCG. ACC or Acquisition Subsidiary or any of their respective subsidiaries to any Governmental Authority in connection with the Merger and the other transactions contemplated by this Agreement.

4.4 Stockholder Approval. As soon as practicable, ACC will take all steps necessary to duly call, give notice of, convene and hold a meeting of its stockholders for the purpose of approving the ACC Proposals and for such other purposes as may be necessary or desirable in connection with effectuating the transactions contemplated hereby. Except as otherwise contemplated by this Agreement (including, without limitation, Section 4.8 hereof), the Board of Directors of ACC (i) will recommend to the stockholders of ACC that it approves the ACC Proposals, and (ii) will use its commercially reasonable efforts to obtain any necessary approval by ACC's stockholders of the ACC Proposals, including, without limitation, voting the shares of ACC Class A Common Stock held by such Directors for such adoption and approval.

4.5 Commercially Reasonable Efforts. Subject to the terms and conditions herein provided, ACC agrees to use its commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the Merger and the transactions contemplated by this Agreement including, but not limited to (i) obtaining the Consent of ACC's lenders and others to this Agreement and the transactions contemplated hereby, (ii) the defending of any Litigation against ACC or any of its subsidiaries challenging this Agreement or the consummation of the transactions contemplated hereby, (iii) obtaining all Consents from Governmental Authorities required for the consummation of the Merger and the transactions contemplated thereby, and (iv) timely making all necessary filings under the HSR Act. Upon the terms and subject to the conditions hereof,

ACC agrees to use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary to satisfy the other conditions of the Closing set forth herein.

4.6 Public Announcements. So long as this Agreement is in effect, ACC shall not, and shall cause its affiliates not to, issue or cause the publication of any press release or any other announcement with respect to the Merger, the ACC Proposals or the transactions contemplated hereby or thereby without the consent of TCG, except where such release or announcement is required by applicable Law or pursuant to any applicable listing agreement with, or rules or regulations of, the NASD, in which case ACC, prior to making such announcement, shall consult with TCG regarding the same.

4.7 Compliance. In consummating the Merger and the transactions contemplated hereby, ACC shall comply in all material respects with the provisions of the Securities Exchange Act and the Securities Act and shall comply, and cause its subsidiaries to comply or to be in compliance, in all material respects, with all other applicable Laws.

4.8 No Solicitation.

(a) ACC shall, and shall direct and use commercially reasonable efforts to cause its officers, directors, employees, representatives and agents to, immediately cease any discussions or negotiations with any parties that may be ongoing with respect to an ACC Takeover Proposal (as hereinafter defined). ACC shall not, nor shall it permit any of its subsidiaries to, nor shall it authorize or permit any of its officers, directors or employees or any investment banker, financial advisor, attorney, accountant or other representative retained by it or any of its subsidiaries to, directly or indirectly, (i) solicit, initiate or encourage (including by way of furnishing information), or take any other action designed or reasonably likely to facilitate, including, without limitation, any amendment, modification or termination, or any agreement to do any of the foregoing, to the ACC Rights Plan or any redemption of the Rights, any inquiries or the making of any proposal which constitutes, or may reasonably be expected to lead to, any ACC Takeover Proposal or (ii) participate in any discussions or negotiations regarding any ACC Takeover Proposal; provided, however, that if, at any time prior to the time of the ACC Stockholders Meeting, the Board of Directors of ACC determines in good faith, upon advice from outside counsel, that it is necessary to do so in order to comply with its fiduciary duties to ACC's stockholders under applicable law, ACC may, in response to an ACC Takeover Proposal or material modification to an ACC Takeover Proposal, which ACC Takeover Proposal or material modification was made after the date hereof and was not solicited after the date hereof, and subject to compliance with Section 4.8(c), (x) furnish information with respect to ACC to any person pursuant to a confidentiality agreement, which either was executed prior to the date hereof or is substantially similar to the Confidentiality Agreement dated as of November 13, 1997 by and between ACC and TCG and (y) participate in negotiations regarding such ACC Takeover Proposal or material modification made after the date hereof. "ACC Takeover Proposal" means any inquiry, proposal or offer from any person relating to any direct or indirect acquisition or purchase of 15% or more of the assets of ACC and its subsidiaries or 15% or more of any class of equity securities of ACC or any of its subsidiaries, any tender offer or exchange offer that if consummated would result in any person beneficially owning 15% or more of any class of equity securities of ACC or any of its subsidiaries, any merger, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or similar transaction involving ACC or any of its subsidiaries (other than the transactions contemplated by this Agreement) or any other transaction the consummation of which could reasonably be expected to impede, interfere with, prevent or materially delay the Merger or which would reasonably be expected to diminish materially the benefits to TCG of the transactions contemplated by this Agreement.

(b) Except as set forth in this Section 4.8, neither the Board of Directors of ACC nor any committee thereof shall (i) withdraw or modify, or propose publicly to withdraw or modify, in a manner adverse to TCG, or take any action not explicitly permitted by this Agreement that would be inconsistent with, the approval or recommendation by such Board of Directors or such committee of the ACC Proposals, (ii) approve or recommend, or propose publicly to approve or recommend, any ACC Takeover Proposal or (iii) cause ACC to enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement (each, an

4.11 *Affiliate Agreements.* ACC shall use commercially reasonable efforts to ensure that each person who is or may be an "affiliate" of ACC within the meaning of Rule 145 promulgated under the Securities Act shall enter into an agreement in the form attached hereto as *Schedule 4.11* as soon as practicable after the date hereof.

4.12 *Takeover Statutes.* If any "fair price," "moratorium," "control share acquisition" or other similar antitakeover statute or regulation enacted under state or federal laws in the United States, including, without limitation, Section 203 of the Delaware Code (each, a "Takeover Statute" and, collectively, "Takeover Statutes"), is or may become applicable to the Merger, the ACC Proposals or the transactions contemplated hereby and thereby, ACC and the members of its Board of Directors will grant such approvals, and take such actions, as are necessary so that the transactions contemplated by this Agreement and the ACC Proposals may be consummated as promptly as practicable on the terms contemplated hereby and thereby and otherwise act to eliminate or minimize the effects of any Takeover Statute on any of the transactions contemplated hereby or thereby.

4.13 *Pooling Accounting Treatment.* ACC agrees not to take any action that to its knowledge could reasonably be expected to adversely affect the ability of TCG to treat the Merger as a pooling of interests, and ACC agrees to take such action as may be reasonably required to negate the impact of any past actions which to its knowledge could reasonably be expected to adversely impact the ability of TCG to treat the Merger as a pooling of interests.

ARTICLE V ADDITIONAL COVENANTS OF TCG

5.1 *Access and Information.* Between the date of this Agreement and the Effective Time, TCG and its subsidiaries will give, and shall direct their respective accountants and legal counsel to give ACC, and its authorized representatives (including, without limitation, its lenders, financial advisors, accountants and legal counsel) at all reasonable times access as reasonably requested to all offices and other facilities and to all contracts, agreements, commitments, books and records (including, but not limited to, Tax Returns) of or pertaining to TCG and its subsidiaries, will permit the foregoing to make such reasonable inspections as they may require and will cause its officers promptly to furnish ACC with (a) such financial and operating data and other information with respect to the business and properties of TCG and its subsidiaries as ACC may from time to time reasonably request, and (b) a copy of each material report, schedule and other document filed or received by TCG or any of its subsidiaries pursuant to the requirements of applicable securities Laws or the NASD.

5.2 *Employee Matters.*

(a) On and after the Effective Time TCG agrees that employees of ACC and its subsidiaries prior to the Effective Time who are employees of the Surviving Corporation or its subsidiaries shall be provided with and permitted to participate in all Employee Plans and Compensation Arrangements provided to similarly situated employees of TCG and/or its subsidiaries, which Employee Plans and Compensation Arrangements may, in TCG's sole discretion, include Employee Plans and Compensation Arrangements of ACC. For purposes of eligibility to participate in and vesting in benefits provided under such Employee Plans and Compensation Arrangements, and for determining benefits or accruals under such Employee Plans and Compensation Arrangements, all employees of ACC and its subsidiaries prior to the Effective Time who become employees of the Surviving Corporation or its subsidiaries, shall be credited with their years of service with ACC and its subsidiaries prior to the Effective Time to the same extent as credited by ACC under the Employee Plans and Compensation Arrangements of ACC and to the extent permitted under applicable law.

(b) TCG acknowledges and agrees that, pursuant to the terms thereof on the date of this Agreement, the vesting of all outstanding ACC Options and warrants or arrangements to acquire capital stock of ACC as set forth on the Schedules to this Agreement and all ACC SIRs shall accelerate immediately upon the Effective Time.

5.3 *Commercially Reasonable Efforts.*

(a) Subject to the terms and conditions herein provided, TCG agrees to use its commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the Merger and the transactions contemplated by this Agreement including, but not limited to (i) obtaining all Consents from Governmental Authorities required for the consummation of the Merger and the transactions contemplated thereby, (ii) timely making all necessary filings under the HSR Act and (iii) causing the shares of TCG Stock comprising the Merger Consideration to be approved for listing on the Nasdaq as promptly as practicable. Upon the terms and subject to the conditions hereof, TCG agrees to use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary to satisfy the other conditions of the Closing set forth herein.

(b) Notwithstanding anything to the contrary contained in this Agreement, TCG shall not be required to agree to any prohibition, limitation or other requirements that would (i) prohibit or limit the ownership or operation by TCG or any of its subsidiaries or affiliates of any material portion of the business or assets of TCG or any of such subsidiaries or affiliates, or compel TCG or any of its subsidiaries or affiliates to dispose of or hold separate any material portion of its business or assets or any of its subsidiaries or affiliates, (ii) impose limitations on TCG's ability to acquire or hold, or exercise full rights of ownership of, any shares of capital stock, including, without limitation, the right to vote any capital stock on all matters properly presented to stockholders, (iii) prohibit TCG or any of its subsidiaries or affiliates from effectively controlling in any material respect the business or operations of TCG or any of its subsidiaries or affiliates, or (iv) otherwise materially adversely affect TCG or any of its subsidiaries or affiliates. For purposes hereof, "subsidiaries" or "affiliates" TCG shall include, without limitation, ACC or any of its subsidiaries or affiliates from and after the Effective Time.

5.4 *Public Announcements.* So long as this Agreement is in effect, TCG shall not, and shall cause its affiliates not to, issue or cause the publication of any press release or any other announcement with respect to the Merger, the ACC Proposals or the transactions contemplated hereby or thereby without the consent of ACC, except as may be required by the Securities Act in connection with the offer and sale of any securities by TCG or where such release or announcement is required by applicable Law or pursuant to any applicable listing agreement with, or rules or regulations of, the NASD, in which case TCG, prior to making such announcement, will consult with ACC regarding the same.

5.5 *Compliance.* In consummating the Merger and the transactions contemplated hereby, TCG shall comply in all material respects with the provisions of the Securities Exchange Act and the Securities Act and shall comply, and/or cause its subsidiaries to comply or to be in compliance, in all material respects, with all other applicable Laws.

5.6 *SEC and Stockholder Filings.* TCG shall send to ACC a copy of all material public reports and materials as and when it sends the same to its stockholders, the SEC or any state or foreign securities commission.

5.7 *Indemnification.* The indemnification provisions of the By-laws and the Certificate of Incorporation of the Surviving Corporation shall not be amended, repealed or otherwise modified for a period of six years after the Closing Date in any manner that would adversely affect the rights thereunder of individuals who immediately prior to the Closing Date were directors, officers, agents or employees of ACC unless otherwise required by applicable Law. From and after the Effective Time, TCG and the Surviving Corporation shall jointly and severally indemnify, defend and hold harmless the directors, officers and agents of ACC as provided in ACC's Certificate of Incorporation, By-Laws or indemnification agreements, as in effect as of the date hereof, with respect to matters occurring through the Closing Date. To the extent available, TCG agrees to cause the Surviving Corporation to maintain in effect for not less than three years after the Closing Date policies of directors' and officers' liability insurance comparable to those maintained by ACC with carriers comparable to ACC's existing carriers and containing terms and conditions which are no less advantageous in any material respect to the

officers, directors and employees of ACC; provided, however, that the Surviving Corporation shall not be required to pay an annual premium for such insurance in excess of two times the last annual premium paid prior to the date hereof, but in such case shall purchase as much coverage as possible for such amount.

5.8 Affiliate Agreements. TCG shall use commercially reasonable efforts to ensure that each person who is or may be an "affiliate" of TCG within the meaning of Rule 145 promulgated under the Securities Act shall enter into an agreement in the form attached hereto as *Schedule 5.8* as soon as practicable after the date hereof.

5.9 Negative Covenants. Between the date of this Agreement and the Effective Time, TCG shall not declare, pay or set aside any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its equity securities or directly or indirectly redeem, purchase or otherwise acquire or offer to acquire any shares of its equity securities, other than any such action which would result in an adjustment to the Merger Consideration pursuant to the last sentence of Section 1.3(a) or any such action pursuant to any employment agreement, Employee Plan or Compensation Arrangement.

5.10 Preparation of Tax Returns. TCG shall prepare and file, or cause to be prepared and filed, in accordance with ACC's past custom and practice, all Tax Returns for ACC and its subsidiaries for all taxable periods ending on or prior to the Closing Date for which Tax Returns have not been filed prior to the Closing Date, and the Surviving Corporation shall pay all Taxes shown to be due on such Tax Returns.

5.11 Tax Opinion Certification. TCG shall execute and deliver a certificate, in a form satisfactory to the counsel of both ACC and TCG, signed by an officer of TCG setting forth factual representations and covenants that will serve as a basis for the tax opinions required pursuant to Section 6.2.5 of this Agreement.

5.12 Notification of Certain Matters. TCG shall give prompt notice to ACC if any of the following occur after the date of this Agreement: (i) its receipt of any material notice or other communication from any Governmental Authority (including, without limitation, the NASD or any securities exchange) in connection with the transactions contemplated by this Agreement, (ii) the occurrence of an Event which could reasonably be expected to have a TCG Material Adverse Effect; and (iii) the occurrence of any Event that could cause a breach by TCG of any provision of this Agreement, including such a breach that could occur if such Event had taken place on or prior to the date of this Agreement.

ARTICLE VI CONDITIONS

6.1 Conditions to Each Party's Obligations. The respective obligations of each party to effect the Merger shall be subject to the fulfillment or waiver at or prior to the Effective Time of the following conditions:

6.1.1 Stockholder Approval. The ACC Proposals shall have been approved at or prior to the Effective Time by the requisite vote of the stockholders of ACC in accordance with the Delaware Code and the rules and regulations of the NASD.

6.1.2 No Injunction or Action. No order, statute, rule, regulation, executive order, stay, decree, judgment or injunction shall have been enacted, entered, promulgated or enforced by any court or other Governmental Authority which prohibits or prevents the consummation of the Merger which has not been vacated, dismissed or withdrawn by the Effective Time. ACC and TCG shall use their reasonable best efforts to have any of the foregoing vacated, dismissed or withdrawn by the Effective Time.

6.1.3 HSR Act. Any waiting period applicable to the Merger under the HSR Act shall have expired or earlier termination thereof shall have been granted and no action, suit, proceeding or investigation shall have been instituted by either the United States Department of Justice or the Federal Trade Commission to prevent the consummation of the transactions contemplated by this Agreement or to modify or amend such transactions in any material manner, or if any such action, suit, proceeding or investigation shall have been instituted, it shall have been withdrawn or a final judgment shall have been entered against such Department or Commission, as the case may be.

6.1.4 Registration Statement. The Registration Statement shall have been declared effective and no stop order suspending the effectiveness of the Registration Statement shall have been issued and no action, suit, proceeding or investigation for that purpose shall have been initiated or threatened by any Governmental Authority.

6.1.5 Quotation of TCG Stock. The shares of TCG Stock comprising the Merger Consideration shall have been approved for listing on the Nasdaq.

6.2 Conditions to Obligations of ACC. The obligation of ACC to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions, any one or more of which may be waived by ACC:

6.2.1 TCG Representations and Warranties. The representations and warranties of TCG contained in this Agreement that are modified by materiality or TCG Material Adverse Effect shall be true and correct in all respects and those that are not so modified shall be true and correct in all material respects, on the date hereof and as of the Effective Time as if made at the Effective Time, except to the extent a representation and warranty speaks as of a particular date, in which case such representation and warranty shall have been so true and correct as of such particular date.

6.2.2 Performance by TCG. TCG shall have performed and complied with all of the covenants and agreements in all material respects and satisfied in all material respects all of the conditions required by this Agreement to be performed or complied with or satisfied by TCG at or prior to the Effective Time.

6.2.3 [Intentionally Omitted]

6.2.4 Certificates and Other Deliveries. TCG shall have delivered to ACC a certificate executed on its behalf by its President or another authorized officer to the effect that the conditions set forth in Subsections 6.2.1 and 6.2.2 above, have been satisfied.

6.2.5 Tax Opinion. ACC shall have received an opinion from ACC's tax counsel substantially to the effect that, if the Merger is consummated in accordance with the provisions of this Agreement, under current law, for federal income tax purposes, the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

6.3 Conditions to Obligations of TCG. The obligations of TCG to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions, any one or more of which may be waived by TCG:

6.3.1 ACC Representations and Warranties. The representations and warranties of ACC contained in this Agreement that are modified by materiality or ACC Material Adverse Effect shall be true and correct in all respects, and those that are not so modified shall be true and correct in all material respects, on the date hereof and as of the Effective Time as if made at the Effective Time, except to the extent a representation and warranty speaks as of a particular date, in which case such representation and warranty shall have been so true and correct as of such particular date.

6.3.2 Performance by ACC. ACC shall have performed and complied with all the covenants and agreements in all material respects and satisfied in all material respects all the conditions required by this Agreement to be performed or complied with or satisfied by ACC at or prior to the Effective Time.

6.3.3 [Intentionally Omitted]

6.3.4 Governmental Approvals. All Consents of any Governmental Authority required for the consummation of the Merger and the transactions contemplated by this Agreement shall have been obtained by Final Order (as hereafter defined), except as may be waived by TCG or those Consents the failure of

which to be obtained will not materially adversely affect the business, assets (including, but not limited to, intangible assets), financial condition, liabilities or the results of operations of the Surviving Corporation and its subsidiaries taken as a whole ("Surviving Corporation Material Adverse Effect") and such Consents shall not contain any Restrictive Provision. The term "Final Order" with respect to any Consent of a Governmental Authority shall mean an action by the appropriate Governmental Authority as to which: (i) no request for stay by such Governmental Authority of the action is pending, no such stay is in effect, and, if any deadline for filing any such request is designated by statute or regulation, it has passed; (ii) no petition for rehearing or reconsideration of the action is pending before such Governmental Authority, and no appeal or comparable administrative remedy with such or any other Governmental Authority is pending before such Governmental Authority, and the time for filing any such petition, appeal or administrative remedy has passed; (iii) such Governmental Authority does not have the action under reconsideration on its own motion and the time for such reconsideration has passed; and (iv) no appeal to a court, or request for stay by a court, of the Governmental Authority action is pending or in effect, and if any deadline for filing any such appeal or request is designated by statute or rule, it has passed. The term "Restrictive Provision" shall mean any prohibition, limitation or other requirements that could reasonably be expected to have a Surviving Corporation Material Adverse Effect.

6.3.5 *Certificates and Other Deliveries.* ACC shall have delivered, or caused to be delivered, to TCG a certificate executed on its behalf by its President or another duly authorized officer to the effect that the conditions set forth in Subsections 6.3.1 and 6.3.2 above, have been satisfied.

6.3.6 *Opinion of ACC Counsel.* TCG shall have received the opinion of special telecommunications counsel to ACC, in form and substance reasonably satisfactory to TCG and customary for similar transactions in such jurisdictions, covering regulatory matters in the Federal Republic of Germany, the United Kingdom, Canada, Massachusetts, New York, the United States and any other national or state jurisdiction in which ACC owns, leases or operates one or more telecommunications switching devices.

6.3.7 *Tax Opinion.* TCG shall have received an opinion from TCG's tax counsel substantially to the effect that, if the Merger is consummated in accordance with the provisions of this Agreement, under current law, for federal income tax purposes, the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

ARTICLE VII TERMINATION AND ABANDONMENT

7.1 *Termination.* This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of the stockholders of ACC and TCG described herein:

(a) by mutual written consent of TCG and ACC;

(b) by either TCG or ACC if:

(i) the Merger shall not have been consummated on or prior to the first anniversary of the date hereof; provided, however, that the right to terminate this Agreement pursuant to this Section 7.1(b)(i) shall not be available to any party whose breach of any of its representations, warranties, covenants or other agreements under this Agreement or failure to perform any of its obligations under this Agreement results in the failure of the Merger to be consummated by such time;

(ii) the approval of ACC's stockholders required by Section 6.1.1 shall not have been obtained at a meeting duly convened therefor or at any adjournment or postponement thereof (the "ACC Stockholders Meeting"); or

(iii) any Governmental Authority shall have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the consummation of the Merger and such order, decree or ruling or other action shall have become final and nonappealable;

(c) by TCG, if:

(i) ACC shall have breached in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform is

incapable of being cured or has not been cured within 20 days after the giving of written notice thereof to ACC;

(ii) Section 4.8 shall be breached by ACC in any material respect and ACC shall have failed to promptly terminate the activity giving rise to such breach and use commercially reasonable best efforts to cure such breach upon notice thereof from TCG, or ACC shall breach Section 4.8 by failing to promptly notify TCG as required thereunder;

(iii) (A) the Board of Directors of ACC or any committee thereof shall have withdrawn or modified in a manner adverse to TCG its approval or recommendation of the ACC Proposals, or approved or recommended any ACC Takeover Proposal or (B) the Board of Directors of ACC or any committee thereof shall have resolved to take any of the foregoing actions; or

(iv) Any person (other than TCG or any of its affiliates or associates) shall have acquired beneficial ownership (as such term is defined in Rule 13d-3 promulgated under the Securities Exchange Act), or any "group" (as such term is defined in Section 13(d)(3) of the Securities Exchange Act) (other than a group of which TCG or any of its affiliates or associates is a member) shall have been formed which beneficially owns, 10% or more of the voting power of ACC; or

(d) by ACC:

(i) if TCG shall have breached in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform is incapable of being cured or has not been cured within 20 days after the giving of written notice thereof to TCG; or

(ii) prior to the time of the ACC Stockholders Meeting, in accordance with Section 4.8(b), provided that it has complied with all provisions thereof, including the notice provisions therein, and that it complies with applicable requirements relating to the payment (including the timing of any payment) of the Termination Fee.

The party desiring to terminate this Agreement pursuant to the preceding paragraphs (b), (c)(i), (c)(ii), (c)(iii), (c)(iv), (d)(i) or (d)(ii) shall give written notice of such termination to the other party in accordance with Section 8.5 below.

7.2 Effect of Termination and Abandonment.

(a) In the event of termination of this Agreement and the abandonment of the Merger pursuant to this Article VII, this Agreement (other than as set forth in this Section 7.2, Section 7.3, Section 8.1 and Section 8.7) shall become void and of no effect with no liability on the part of any party hereto (or of any of its directors, officers, employees, agents, legal or financial advisors or other representatives); provided, however, that no such termination shall relieve any party hereto from any liability for any breach of this Agreement.

(b) In the event that this Agreement (i) is terminated by TCG pursuant to Section 7.1(c)(i) or 7.1(c)(ii) or by TCG or ACC pursuant to Section 7.1(b)(ii), and (ii) a bona fide ACC Takeover Proposal shall have been made known to ACC or any of its subsidiaries or made known to its stockholders generally or publicly announced or any Person shall have publicly announced an intention (whether or not conditional) to make a bona fide ACC Takeover Proposal, in each case before any such termination, and such ACC Takeover Proposal shall have been consummated or an agreement with respect to such ACC Takeover Proposal (whether or not binding) shall have been executed by ACC within twelve (12) months of the date of such termination, then ACC shall, on the date such ACC Takeover Proposal is consummated, pay TCG a fee equal to Thirty Two Million Five Hundred Thousand Dollars (\$32,500,000) (the "Termination Fee"), payable by wire transfer of same day funds. In the event that this Agreement is terminated by TCG pursuant to Section 7.1(c)(iii), then ACC shall pay TCG the Termination Fee, payable by wire transfer of same day funds, within one (1) business day of the date of such termination. In the event that this Agreement is terminated by ACC pursuant to Section 7.1(d)(ii), then ACC shall pay TCG the Termination Fee, by wire transfer of same day funds, concurrently with its notice of termination (and such termination shall not be effective until TCG shall have received such Termination Fee). In

the event that the Termination Fee becomes due and payable by ACC to TCG pursuant to this Section 7.2(b). ACC shall promptly pay, upon TCG's request, all out-of-pocket charges and expenses incurred by TCG in connection with this Agreement and the transactions contemplated hereby in an amount not to exceed Seven Million Five Hundred Thousand Dollars (\$7,500,000), which payments shall be credited against any Termination Fee that may subsequently become payable. ACC acknowledges that the agreements contained in this Section 7.2(b) are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, TCG would not enter into this Agreement; accordingly, if ACC fails to promptly pay the amount due pursuant to this Section 7.2(b), and, in order to obtain such payment, TCG commences a suit which results in a judgment against ACC for the Termination Fee set forth in this paragraph (b), ACC shall also pay to TCG its costs and expenses (including attorneys' fees) in connection with such suit, together with interest on the amount of the Termination Fee at the prime rate of Citibank N.A. in effect on the date such payment was required to be made.

7.3 Procedure Upon Termination. In the event of termination and abandonment pursuant to this Article VII, this Agreement shall terminate and the Merger shall be abandoned without further action by ACC or TCG, provided that the agreements contained in Sections 7.2, 8.1 and 8.7 hereof shall remain in full force and effect. If this Agreement is terminated as provided herein, each party shall use its reasonable best efforts to redeliver all documents, work papers and other material (including any copies thereof) of any other party relating to the transactions contemplated hereby, whether obtained before or after the execution hereof, to the party furnishing the same. Nothing contained in this Agreement shall relieve any party from any liability for any inaccuracy, misrepresentation or breach of this Agreement prior to termination.

ARTICLE VIII MISCELLANEOUS

8.1 Confidentiality. Unless (i) otherwise expressly provided in this Agreement, (ii) required by applicable Law or any listing agreement with, or the rules and regulations of, any applicable securities exchange or the NASD, (iii) necessary to secure any required Consents as to which the other party has been advised, or (iv) consented to in writing by TCG and ACC, any information or documents furnished in connection herewith shall be kept strictly confidential by ACC, TCG and their respective officers, directors, employees and agents. Prior to any disclosure pursuant to the preceding sentence, the party intending to make such disclosure shall consult with the other party regarding the nature and extent of the disclosure. Nothing contained herein shall preclude disclosures to the extent necessary to comply with accounting, SEC and other disclosure obligations imposed by applicable Law. To the extent required by such disclosure obligations, TCG or ACC, after consultation with the other party, may file with the SEC a Report on Form 8-K pursuant to the Securities Exchange Act with respect to the Merger, which report may include, among other things, financial statements and pro forma financial information with respect to the other party. Notwithstanding the foregoing, in connection with any filing with the SEC of a registration statement or amendment thereto under the Securities Act, including, without limitation, in connection with the offer and sale of any securities by TCG, ACC or TCG, after consultation with the other party, may include a prospectus containing any information required to be included therein describing the Merger, including, but not limited to, financial statements and pro forma financial information with respect to the other party, and thereafter distribute said prospectus. TCG and ACC shall cooperate with the other and provide such information and documents as may be required in connection with any such filings. In the event the Merger is not consummated, each party shall return to the other any documents furnished by the other and all copies thereof any of them may have made and will hold in absolute confidence any information obtained from the other party except to the extent (i) such party is required to disclose such information by Law or such disclosure is necessary or desirable in connection with the pursuit or defense of a claim, (ii) such information was known by such party prior to such disclosure or was thereafter developed or obtained by such party independent of such disclosure, or (iii) such information becomes generally available to the public or is otherwise no longer confidential. Prior to any disclosure of information pursuant to the exception in clause (i) of the preceding sentence, the party intending to disclose the same shall so notify the party which provided the same in order that such party may seek a protective order or other appropriate remedy should it choose to do so.

8.2 Amendment and Modification. To the extent permitted by applicable law, this Agreement may be amended, modified or supplemented only by a written agreement among ACC, TCG and Acquisition Subsidiary, whether before or after approval of this Agreement and the transactions contemplated hereby by the stockholders of ACC, Acquisition Subsidiary and TCG.

8.3 Waiver of Compliance; Consents. Any failure of ACC on the one hand, or TCG on the other hand, to comply with any obligation, covenant, agreement or condition herein may be waived by TCG on the one hand, or ACC on the other hand, only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 8.3.

8.4 Survival of Representations and Warranties. The respective representations, warranties, covenants and agreements of ACC and TCG contained herein or in any certificates or other documents delivered prior to or at the Closing shall survive the execution and delivery of this Agreement, notwithstanding any investigation made or information obtained by the other party, but shall terminate at the Effective Time, except for those contained in Section 5.7 and except for the agreements delivered pursuant to Section 4.11 hereof.

8.5 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, by facsimile, receipt confirmed, or on the next business day when sent by overnight courier or on the second succeeding business day when sent by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(i) if to ACC, to:

400 West Avenue
Rochester, New York 14611
Attention: Michael R. Daley
Telecopy: (716) 987-3335

with a copy to:

Nixon, Hargrave, Devans & Doyle LLP
Clinton Square
P.O. Box 1051
Rochester, New York 14603
Attention: James A. Locke, III, Esq.
Telecopy: (716) 263-1600

and

(ii) if to TCG or Acquisition Subsidiary, to:

429 Ridge Road
Dayton, New Jersey 08810
Attention: Chairman, President and CEO
Telecopy: (732) 392-3600

with copies to:

Dow, Lohnes Albertson, PLLC
1200 New Hampshire Avenue, N.W.
Washington, D.C. 20036
Attention: Timothy J. Kelley, Esq.
Telecopy: (202) 776-2222

8.6 Binding Effect; Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto prior to the Effective Time without the prior written consent of the other party hereto, except that Acquisition Subsidiary may assign to TCG or any other direct subsidiary of TCG any and all rights, interests and obligations of Acquisition Subsidiary under this Agreement; provided that any assignment by Acquisition Subsidiary of any or all of its rights, interests and obligations under this Agreement to TCG shall require that the Merger contemplated by this Agreement shall then be structured as a direct merger of ACC with and into TCG or any other structure approved by ACC.

8.7 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs or expenses, subject to the rights of such party contemplated under Section 7.2, above.

8.8 Governing Law. This Agreement shall be deemed to be made in, and in all respects shall be interpreted, construed and governed by and in accordance with the internal laws of, the State of Delaware.

8.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.10 Interpretation. The article and Section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement. As used in this Agreement, (i) the term "person" or "Person" shall mean and include an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust, an association, an unincorporated organization, a Governmental Authority and any other entity; (ii) the term "affiliate," with respect to any person, shall mean and include any person controlling, controlled by or under common control with such person; and (iii) the term "subsidiary" of any specified person shall mean any corporation 50 percent or more of the outstanding voting power of which, or any partnership, joint venture, limited liability company or other entity 50 percent or more of the total equity interest of which, is directly or indirectly owned by such specified person.

8.11 Entire Agreement. This Agreement and the documents or instruments referred to herein, including, but not limited to, the Schedules attached hereto, which Schedules are incorporated herein by reference, embody the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein or therein. This Agreement and the documents or instruments referred to herein supersede all prior agreements and the understandings between the parties with respect to such subject matter.

8.12 Severability. In case any provision in this Agreement shall be held invalid, illegal or unenforceable in a jurisdiction, such provision shall be modified or deleted, as to the jurisdiction involved, only to the extent necessary to render the same valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby nor shall the validity, legality or enforceability of such provision be affected thereby in any other jurisdiction.

8.13 Specific Performance. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, the parties further agree that each party shall be entitled to an injunction or restraining order to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other right or remedy to which such party may be entitled under this Agreement, at law or in equity.

8.14 *Third Parties.* Nothing contained in this Agreement or in any instrument or document executed by any party in connection with the transactions contemplated hereby shall create any rights in, or be deemed to have been executed for the benefit of, any person or entity that is not a party hereto or thereto or a successor or permitted assign of such a party.

8.15 *Schedules.* ACC and TCG acknowledge that the Schedules to this Agreement (i) relate to certain matters concerning the disclosures required and transactions contemplated by this Agreement, (ii) are qualified in their entirety by reference to specific provisions of this Agreement, (iii) are not intended to constitute and shall not be construed as indicating that such matter is required to be disclosed, nor shall such disclosure be construed as an admission that such information is material with respect to ACC or TCG, as the case may be, except to the extent required by this Agreement, and (iv) disclosure of the information contained in one ACC or TCG Schedule shall be deemed as proper disclosure for all ACC or TCG Schedules, as the case may be.

IN WITNESS WHEREOF, TCG, Acquisition Subsidiary and ACC have caused this Agreement to be signed and delivered by their respective duly authorized officers as of the date first above written.

TELEPORT COMMUNICATIONS GROUP INC.

By: /s/ ROBERT ANNUNZIATA

Name: Robert Annunziata
Title: Chairman, President and
Chief Executive Officer

TCG MERGER CO., INC.

By: /s/ WAYNE G. FOX

Name: Wayne G. Fox
Title: Treasurer

ACC CORP.

By: /s/ DAVID K. LANIAK

Name: David K. Laniak
Title: Chairman and Chief Executive Officer

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March 27, 1998

Board of Directors
ACC Corp.
400 West Avenue
Rochester, NY 14611

Members of the Board:

We understand that ACC Corp. ("ACC" or the "Company"), Teleport Communications Group Inc. ("TCG"), and TCG Merger Co., Inc., a Delaware corporation and a wholly owned subsidiary of TCG ("MergerCo.") have entered into an Agreement and Plan of Merger dated as of November 26, 1997 (the "Merger Agreement"), which provides, among other things, for the merger (the "Merger") of MergerCo. with and into ACC. Pursuant to the Merger, ACC will become a wholly owned subsidiary of TCG, and each issued and outstanding share of Class A Common Stock, par value \$0.015 per share, of ACC (the "ACC Stock"), other than shares held in treasury or by any wholly owned subsidiary of ACC, which will be cancelled, will be converted automatically into the right to receive a number of shares of the Class A Common Stock, par value \$0.01 per share, of TCG (the "TCG Class A Common Stock") pursuant to the exchange ratio set forth in the Merger Agreement (the "Exchange Ratio"). The terms and conditions of the Merger are more fully set forth in the Merger Agreement.

You have asked for our opinion as to whether the Exchange Ratio is fair from a financial point of view to holders of ACC Stock.

For purposes of the opinion set forth herein, we have, among other things:

- (i) reviewed certain publicly available financial statements and other information of the Company and TCG respectively;
- (ii) reviewed certain internal financial statements and other financial and operating data concerning the Company prepared by management of the Company;
- (iii) analyzed certain financial projections prepared by the management of the Company;
- (iv) reviewed certain research analyst projections for the Company and TCG;
- (v) discussed the past and current operations and financial condition and the prospects of the Company with senior executives of the Company;
- (vi) discussed the past and current operations and financial condition and the prospects of TCG with senior executives of TCG;
- (vii) reviewed the pro forma impact of the Merger on TCG's revenues, earnings per share and cash flow;
- (viii) reviewed the reported prices and trading activity for the ACC Stock and the TCG Class A Common Stock;
- (ix) compared the financial performance of the Company and TCG and the prices and trading activity of ACC Stock and the TCG Class A Common Stock with that of certain other comparable publicly traded companies and their securities;
- (x) reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;
- (xi) participated in discussions and negotiations among representatives of the Company and TCG and their respective financial and legal advisors;

- (xii) reviewed the Merger Agreement and certain related documents;
- (xiii) reviewed the publicly available terms of the proposed merger between TCG and AT&T Corp. ("AT&T");
- (xiv) reviewed certain research analyst projections for AT&T; and
- (xv) performed such other analyses and considered such other factors as we have deemed appropriate.

We have assumed and relied upon without independent verification the accuracy and completeness of the information reviewed by us for the purposes of this opinion. With respect to the financial projections, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of the Company and TCG. In addition, we have assumed that the Merger will be consummated in accordance with the terms set forth in the Merger Agreement, including, among other things, that the Merger will be treated as a tax-free reorganization and/or exchange, each pursuant to the Internal Revenue Code of 1986. We have not made any independent valuation or appraisal of the assets or liabilities of the Company or TCG, nor have we been furnished with any such appraisals. Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof.

We have acted as financial advisor to the Board of Directors of the Company in connection with this transaction and will receive a fee for our services. In the past, Morgan Stanley & Co. Incorporated and its affiliates have provided financial advisory and financing services for the Company and TCG and affiliates and have received fees for the rendering of these services.

It is understood that this letter is for the information of the Board of Directors of the Company and may not be used for any other purpose without our prior written consent, except that this opinion may be included in its entirety in any filing made by the Company in respect of the transaction with the Securities and Exchange Commission. In addition, Morgan Stanley & Co. Incorporated expresses no opinion or recommendation as to how the stockholders of the Company should vote at the stockholders' meeting held in connection with the Merger.

Based on and subject to the foregoing, we are of the opinion on the date hereof that the Exchange Ratio is fair from a financial point of view to holders of ACC Stock.

Very truly yours,

MORGAN STANLEY & CO. INCORPORATED

By: /s/ IAN C.T. PEREIRA

Ian C.T. Pereira
Managing Director

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3/27/98

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-K

(Mark One)

☒ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1997

or

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission file number 0-20913

Teleport Communications Group Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

13-3173139
(I.R.S. Employer
Identification No.)

437 Ridge Road, Executive Building 3, Dayton, NJ
(Address of Principal Executive Offices)

08810
(Zip Code)

732-392-2800

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

None

Name of Each Exchange
on Which Registered

None

Securities registered pursuant to Section 12(g) of the Act:

Class A Common Stock
(Title of Class)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Based on the closing sales price on March 5, 1998 the aggregate market value of the voting and non-voting stock held by non-affiliates of the Registrant was approximately \$2,638,426,380.

At March 5, 1998, 61,502,790 shares of the Registrant's Class A Common Stock and 113,489,040 shares of Registrant's Class B Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with its 1998 Annual Meeting are incorporated by reference into Part III of this Report on Form 10-K.

Certain portions of the Registrant's Registration Statement on Form S-3 (File No. 333-37597) are incorporated by reference in this Report on Form 10-K.

The 1996 Act is intended to increase competition in the local telecommunications business. The 1996 Act requires all local exchange providers, including the Company and new entrants, to interconnect with other carriers, and to offer their services for resale and requires ILECs to offer their substantial network facilities on a discounted wholesale basis and on an unbundled basis. These requirements may facilitate entry by new competitors without substantial capital risk or investment. However, there can be no assurance that any rates or facilities offered by ILECs to TCG or other CLECs will be economically attractive or technically viable.

The Company believes that the 1996 Act will provide it with increased business opportunities and potentially better margins by opening all local markets in urban areas to competition and by requiring ILECs to provide improved direct interconnection at lower cost. However, under the 1996 Act, the FCC and some state regulatory authorities may provide ILECs with increased flexibility to reprice their service as competition develops and as ILECs allow competitors to interconnect to their networks. In addition, some new entrants in the local market may price certain services to a particular customer or for a particular route below the prices charged by the Company for services to that customer or for that route, just as the Company may itself underprice those new entrants. If ILECs and other competitors lower their rates and can sustain significantly lower prices over time, this may adversely affect revenues and margins of TCG. If regulatory decisions permit the ILECs to charge CLECs substantial fees for interconnection to the ILECs' networks or afford ILECs other regulatory relief, such decisions could also have a material adverse effect on TCG. However, TCG believes that the negative effects of the 1996 Act may be more than offset by (i) increased revenues available as a result of being able to address the entire urban local exchange market, (ii) mutual reciprocal compensation with the ILEC that could eventually result in TCG terminating its local exchange traffic on the ILEC's network at little or no net cost to TCG, (iii) obtaining access to off-network customers through more reasonably priced expanded interconnection with ILEC networks and (iv) a shift by IXCs to purchase access services from CLECs instead of ILECs. There can be no assurance, however, that these anticipated results will offset completely the effects of increased competition as a result of the 1996 Act.

Currently, TCG's services are predominantly local and regional, although TCG has begun to offer long distance services in order to provide a full range of telecommunications services to those customers who prefer to obtain most or all of their telecommunications services from one provider. However, TCG has examined from time to time, and will continue to examine, opportunities to expand its provisioning of other related telecommunications services. The merger with ACC represents an expansion of TCG's long distance services, including international long distance, and provision of local services in foreign countries. To the extent that the Company expands its provisioning of telecommunications or Internet services, it could incur certain additional risks in connection with such expansion, including technological compatibility risks, legal and regulatory risks and possible adverse reaction by some of its current customers.

All of the Cable Stockholders are in the telecommunications business and may, now or in the future, provide services which are the same or similar to those provided by TCG. In addition, affiliates of TCI, Cox and Comcast, which collectively have designated a majority of the directors of the Company, together with an affiliate of Sprint, have formed Sprint PCS, a partnership created to provide certain wireless telecommunications services. Also, affiliates of TCI, Cox and Comcast are principal owners of At Home, a provider of Internet related services over the @Home™ Network. No assurance can be given that the Cable Stockholders will not compete with TCG in certain markets or in the provision of certain telecommunications services. Although directors of TCG who are also directors, officers or employees of the Cable Stockholders or any of their respective affiliates have certain fiduciary obligations to TCG under Delaware law, such directors and the Cable Stockholders, as the controlling stockholders of TCG, are in positions that may create conflicts of interest with respect to certain business opportunities available to and certain transactions involving the Company. The Cable Stockholders have not adopted any special voting procedures to deal with such conflicts of interest, and there can be no assurance that any such conflict will be resolved in favor of TCG. In this regard, TCG's Amended and Restated Certificate of Incorporation provides that TCG may not provide certain (i) wireless communications services (other than products and services delivered via point-to-point microwave and milliwave transmissions) or (ii) telecommunications services to residences until, in each case, the earlier of June 26, 2001, or the date on which

Recent Sales of Unregistered Securities

During 1997, the Registrant issued (i) an aggregate of 2,100,000 shares of Class A Common Stock in connection with the acquisition of CERFnet, (ii) 2,757,083 shares of Class A Common Stock in connection with the acquisition of ETC, and (iii) 1,667,624 whole shares of Class A Common Stock in connection with the acquisition of BizTel. See "Business—Other Recent Developments." The issuance of Class A Common Stock in each acquisition was deemed exempt from the registration requirements of the Securities Act pursuant to Section 4(2) of the Securities Act of 1933, as amended. The recipients of Class A Common Stock in each transaction represented their intentions to acquire the Class A Common Stock for investment purposes only and not with a view to or for sale in connection with any distribution of Class A Common Stock.

Item 6. Selected Financial Data

The following tables present historical summary combined financial data for the years 1993, 1994 and 1995, derived from the combined audited historical financial statements of TCG and TCG Partners. The selected financial data set forth below for the years 1996 and 1997 have been derived from the consolidated financial statements of TCG. The financial statements for the years 1995 through 1997 have been audited by Deloitte & Touche LLP, independent auditors, whose report thereon appears elsewhere in this Form 10-K.

	Years Ended December 31,				
	1997	1996	1995	1994	1993
	(dollars in thousands, except share amounts)				
Statements of Operations Data:					
Revenues:					
Telecommunications service	\$ 494,304	\$ 244,864	\$ 134,632	\$ 99,983	\$ 82,374
Management and royalty fees(1)	—	22,805	31,517	20,691	1,555
Total Revenues	494,304	267,669	166,169	120,674	83,929
Operating expenses	283,440	157,591	93,118	76,572	54,218
Selling, general and administrative expenses(2)	165,977	85,023	50,475	39,999	34,281
In-process research and development costs(3)	22,000	—	—	—	—
Depreciation and amortization	155,402	78,416	37,837	19,933	16,197
Operating loss	(132,515)	(53,363)	(15,261)	(15,820)	(20,767)
Interest:					
Interest income	31,111	30,219	4,067	1,711	1,072
Interest expense	(116,172)	(73,633)	(23,331)	(5,079)	(1,407)
Net Interest expense	(85,061)	(43,414)	(19,264)	(3,368)	(335)
Minority interest(4)	—	3,320	663	1,395	796
Equity in losses of unconsolidated affiliates	(3,427)	(19,400)	(19,541)	(11,763)	(2,114)
Loss before income taxes	(221,003)	(112,657)	(53,403)	(29,356)	(22,420)
Income tax (provision) benefit	(1,664)	(2,193)	(401)	(433)	4,149
Net loss	\$ (222,667)	\$ (114,850)	\$ (53,804)	\$ (29,989)	\$ (18,271)
Net loss per share	\$ (1.34)	\$ (1.00)	\$ (0.77)	\$ (0.43)	\$ (0.26)
Weighted average number of shares	165,728,059	114,443,695	70,000,140	70,000,140	70,000,140
Other Data:					
EBITDA(5)	\$ 44,887	\$ 25,053	\$ 22,576	\$ 4,113	\$ (4,570)
Cash flows from operating activities	(21,211)	93,618	36,141	87,753	47,438
Cash flows from investing activities	(341,624)	(913,513)	(207,967)	(265,026)	(149,107)
Cash flows from financing activities	258,626	1,085,573	157,688	171,557	129,822
Capital expenditures(6)	501,055	308,112	154,807	143,276	155,184
Ratio of earnings to fixed charges(7)	—	—	—	—	—

2. ~~Interest~~ ~~in~~ ~~costing~~, ~~general~~, ~~and~~ ~~administrative~~ expenses are expenses incurred for services provided to the Local Market Partnerships, in the amounts of \$21.4 million, \$29.6 million, \$19.4 million and \$1.4 million for the years 1996, 1995, 1994 and 1993, respectively.

- (3) In December 1997, TCG evaluated the acquired assets and liabilities of CERPnet, and as a result of the evaluation, TCG expensed acquired in-process research and development costs.
- (4) Minority interest reflects Fidelity Communications Inc.'s equity interest in Teleport Communications Boston for 1993 and 1994; a Cox affiliate's interest in TCG San Diego for 1993 and 1994; and TCI and Continental affiliates' interests in TCG St. Louis for 1994 and 1995 and 1996. In 1996, after giving effect to the TCG Reorganization and the debt and equity offerings consummated in July 1996, the minority interest reflects Viacom Telecom, Inc.'s equity interests of 22.2% and 22.9% in TCG Seattle and TCG San Francisco, respectively, and InterMedia Partners' equity interest of 4.2% in TCG San Francisco. In 1997 TCG no longer recorded minority interest for the Local Market Partnerships due to the completion of the TCG Reorganization.
- (5) EBITDA consists of earnings (loss) before interest, income taxes, depreciation, amortization, minority interest and equity in losses of unconsolidated affiliates. It is a measure commonly used in the telecommunications industry and is presented to assist in understanding TCG's operating results. EBITDA is not intended to represent cash flows or results of operations in accordance with U.S. GAAP for the periods indicated. TCG's use of EBITDA may not be comparable to similarly titled measures due to the use by other companies of different financial statement components in calculating EBITDA. In 1997, this amount represents Recurring EBITDA which is defined as EBITDA excluding a one-time non-recurring charge for acquired in-process research and development costs.
- (6) Capital expenditures for 1996 are net of the effect of the inclusion of the Local Market Partnerships as of June 30, 1996.
- (7) The ratio of earnings to fixed charges is computed by dividing pre-tax income from operations before fixed charges (other than capitalized interest) by fixed charges. Fixed charges consist of interest charges and the amortization of debt expense and discount or premium related to indebtedness, whether expensed or capitalized, and that portion of rental expense the Company believes to be representative of interest. For the years 1997, 1996, 1995, 1994 and 1993, earnings were insufficient to cover fixed charges by \$221.0 million, \$116.2 million, \$54.1 million, \$31.0 million and \$23.2 million, respectively.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Overview

TCG, the first and largest CLEC in the United States, offers comprehensive telecommunications services in major metropolitan markets nationwide. The Company competes with ILECs by providing high quality, integrated telecommunications services, primarily over fiber optic digital networks, to meet the voice, data and video transmission needs of its customers. TCG's customers are principally telecommunications intensive businesses, healthcare and educational institutions, governmental agencies, long distance carriers and resellers,